

Message Text

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12
ACTION NEA-10

INFO OCT-01 ISO-00 COME-00 EB-07 XMB-02 TRSE-00 CIAE-00

INR-07 NSAE-00 /027 W
----- 111990

R 130730Z AUG 76
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 3840

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PASS EXIMBANK
COMMERCE FOR DAS/HOSTLER
DEPT FOR NEA/SOBER

E.O.11652: N/A
TAGS: BEXP EFIN TS
SUBJECT: SOUSSE POWERPLANTS/WESTINGHOUSE BID

REF: TUNIS 5075; STAE 191616; TUNIS 2608.

1. EMBOFF MET WITH WESTINGHOUSE REP FOLLOWING BID READ-OUT HELD AUG 5. WESTINGHOUSE POSITION APPEARS STRONG ON PRICE AND TECHNICAL BASIS. ALTHOUGH WESTINGHOUSE RAW PRICE IS HIGHEST OF SIX BIDDERS, IT REPRESENTS LARGEST CAPACITY UNITS UNDER CONSIDERATION. STEG IS USING OUTPUT/EFFICIENCY FORMULA TO CONVERT RAW PRICES INTO COMPARABLE PER-UNIT-OF-OUTPUT PRICES. ON THIS BASIS WESTINGHOUSE BID IS THIRD LOWEST. LOWEST BIDDER (TOSHIBA JAPAN/BABCOCK FRANCE JOINT BID) IS WELL OUT OF LINE WITH OTHER BIDS AND WOULD APPEAR TO REFLECT BELOW BREAK-EVEN PRICING OR "LOW-BALL". TOSHIBA/BABCOCK BID AND MOST EUROPEAN BIDS ARE FIRM, WITH NO PRICE ESCALATION CLAUSES, WHEREAS WESTINGHOUSE IS HALF FIRM, HALF SUBJECT TO ESCALATION.

2. ON FINANCING, ACCORDING TO WESTINGHOUSE REP COMMENTS ON BASIS OF READ-OUT, WESTINGHOUSE BID
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DOES NOT HAVE A CHANCE. FRENCH BIDS (ALSTHOM AND

CEM) ARE SUPPORTED BY 140 MILLION FRANC GOVT CREDIT
(25 YEARS, 4 PCT), REMAINDER COFACE GUARANTEED
LOANS; GERMAN PACKAGE AT 7-1/2
PCT WITH POSSIBLE WAIVER OF INTEREST DURING CON-
STRUCTION; JAPANESE BID ALSO RECEIVING GOVT CON-
CESSIONAL FINANCING. IN CONTRAST, EXIM/WESTINGHOUSE
FINANCING PROVIDES 10-YEAR REPAYMENT AT 9 PCT. AS REPORTED
TUNIS 2608, FINANCING TERMS WILL BE INCOR-
PORATED INTO FINAL PRICE ARRAY BY USING DISCOUNTED
1980 VALUE OF REPAYMENT STREAM.

3. WESTINGHOUSE REPS TAPE-RECORDED BID READ-OUT
AND STATE THEY CAN VERIFY ABOVE TERMS. THEY ALSO
ASKED WHETHER MORE COMPETITIVE OFFER COULD BE MADE
BY EXIM, TO WHICH EMBOFF REPLIED THAT EXIM WAS FULLY
AWARE OF COMPETITION AND HAD TAKEN IT INTO ACCOUNT
IN FORMULATING IMPROVED TERMS PER STATE REFTEL.

4. COMMENT: UNLESS STEG PREPARED TO ATTACH HIGHER
IMPORTANCE TO WESTINGHOUSE TECHNICAL COMPETENCE AND
REPUTATION THAN TO PRICE AND FINANCING, APPEARS
UNLIKELY THAT WESTINGHOUSE WILL BE SELECTED UNDER
PRESENT CIRCUMSTANCES.
MULCAHY

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Message Attributes

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